

Washington State Auditor's Office
Special Education Program Audit
Audit Services

Report No. 58163

OLYMPIA SCHOOL DISTRICT No. 111

Thurston County, Washington

September 1, 1995 Through August 31, 1996

Issue Date: April 4, 1997

April 4, 1997

I am pleased to report the results of our program audit of Olympia School District Special Education Program covering the period September 1, 1995, through August 31, 1996. This report was prepared under the authority granted by Chapter 283, Laws of 1996.

Our audit gives an independent, accurate assessment of the condition of the program during the period we reviewed. I hope it is used as a constructive management tool to help the school districts improve their operations and to help the Legislature and others in policy decisions on special education funding.

Sincerely,

Brian Sonntag, CGFM
State Auditor

Copies transmitted to:

John Keefe, Chairman of the Board of Directors
Dr. Albert R. Cohen, Superintendent
Dr. Stillman Wood, Assistant Superintendent
John Nugent, Business Manager
Dr. Paula Akerlund, Director of Special Services
Tom Warren, Assistant Director of Special Services
Educational Service District No. 113
Marcelyn A. Senger, School Business Services-Supervisor of Audit Management and
Resolution, Superintendent of Public Instruction
Safety Net Committee
Jim West, Chair, Senate Ways and Means Committee
Tom Huff, Chair, House Appropriations Committee
Cheryle Broom, Legislative Auditor, Joint Legislative Audit and Review Committee
Edie Harding, Washington State Institute for Public Policy
Laurie Fortier, State Publication Distribution, State Library
The Honorable Christine O. Gregoire, Attorney General, Office of the Attorney General
Office of the State Auditor

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Olympia School District No. 111 Special Education Program Audit Report Summary

BACKGROUND

The State Auditor's Office was given responsibility for auditing special education programs by the Legislature. Lawmakers were concerned about special education programs that exhibit unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the State Special Education Safety Net Committee. The Safety Net Committee was created to oversee state and federal special education funds set aside by the Legislature to assist school districts with demonstrated financial or program needs not met through the special education funding formula.

The Olympia School District is among approximately 30 school districts to be selected for a program audit this fiscal year. The district was selected based upon the change in its special education population and its application for additional funding through the state safety net in 1995-96.

AUDIT RESULTS

Objective 1:

To determine whether the Olympia School District effectively and efficiently provides a Free and Appropriate Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusions:

- In our opinion, the district provides FAPE to special education students. The services are designed to meet the needs of students with disabilities to the same extent as students without disabilities.
- The district is working to build a "unified education system" that is responsive to and meets the needs of all children and their families. Schools within the district have the responsibility and resources to build their own programs based on the districts philosophy.
- The district has an established practice of considering alternatives before making a referral to special education.

District Response:

No response necessary.

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Objective 2:

To evaluate the Olympia School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

- The district has adequate policies and procedures.
- The district is aware of and follows the eligibility criteria for counting a student on the monthly P-223H Form.

District Response:

No response necessary.

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Objective 3:

To verify that the Olympia School District Individual Education Programs (IEPs) are appropriate and properly prepared.

Conclusion:

- The 95 special education files reviewed were appropriate and properly prepared.
- We did observe an emphasis on “consultation” in two IEPs reviewed. Special education administration explained that, prior to 1996-97, the district occasionally prepared this type of IEP. The district is aware that specially designed instruction should be evident in the IEP.

District Response:

No response necessary.

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Objective 4:

To determine why the Olympia School District Special Education Program exhibits high rates of growth, extraordinary high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

- Olympia was one of five districts that, prior to 1995-96, participated in a special services demonstration project authorized by the legislature. The demonstration project was used to take the emphasis off labeling specific learning disabled (SLD) students, to minimize the costs associated with formally identifying SLD students and to reduce the percentage of SLD identified students below 4 percent. The project allowed districts to provide students exhibiting “SLD characteristics” specially designed instruction without the procedural requirements associated with formal evaluations and IEPs.

When the funding formula changed in 1995-96, the district began formally identifying and assessing students served through the demonstration project. District administration felt their funding may be limited to the 1995-96 percentage if they continued to participate in the demonstration project. The evaluations for these students took place during the 1995-96 school year and account for a large portion of the special education growth in the district.

- Expenditures under the district’s safety net award for a high cost individual student were appropriate.
- The district accounts for all special education expenditures, including the portion related to basic education revenue, within the special education program. This may impact the district’s ability to meet federal maintenance of effort requirements if special education program expenditures are limited to excess cost in the future. We recommend the district work with the Office of Superintendent of Public Instruction to ensure the district’s maintenance of effort tests are properly performed.

District Response:

The district stated that the excess cost funding formula does not support continuation of a Demonstration Project model. The district regrets that it was forced to abandon the Demonstration Project in order to stabilize funding for the program.

The district stated it does not appear that meeting the maintenance of effort requirements will be affected.

Additional Remarks From The Auditor:

We agree that district maintenance of effort requirements will not be affected as long as the district continues to report total cost in its special education program.



Objective 5:

To identify elements of the Olympia School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

- The district has a designated staff position at each school to function as a liaison between the school and the special education administration. In addition to being a liaison, this “Social Service Provider” position is responsible for school building psychologist duties and assuring that special education compliance requirements are met by building special education personnel. We found the district’s use of this position to be a noteworthy practice.

District Response:

No response necessary.



The basis for our conclusions and the district’s full response is included in the Report Detail section.

Olympia School District No. 111 Special Education Program Audit Report Detail

INTRODUCTION

This report contains the results of a program audit we performed on the Olympia School District Special Education Program. Our audit covered the 1995-96 school year. The field work was completed on January 23, 1997.

BACKGROUND

In 1995, the Legislature revised the state special education funding formula (Chapter 18, 2nd Special Session, Laws of 1995). The formula incorporates three significant changes: (1) the move to an “excess cost” funding model that includes only the costs of a child’s special education above basic education funding, (2) establishment of a maximum index of eligible special education enrollment per district and (3) a single allocation of funds per student without regard to a student’s disability.

The Legislature set aside nearly \$40 million in state and federal funds to assist school districts with demonstrated financial or program needs not met through the funding formula. This “safety net” was required due to a 1987 court decision in the case, *Washington State Special Education Coalition v. State of Washington*. The court requires the state to provide a safety net when special education funding is based upon statewide averages. A State Special Education Safety Net Committee was created to review applications for safety net funds. The State Auditor’s Office was given responsibility for auditing special education programs exhibiting unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the Safety Net Committee.

This audit was conducted in accordance with the legislation that assigned the State Auditor’s Office responsibility for auditing special education programs. The Olympia School District is among approximately 30 districts to be selected for a program audit this fiscal year. The district’s program was selected based on two factors. First, the overall increase or change in the special education population between 1994-95 and 1995-96. The second factor was the applications submitted to the Safety Net Committee.

AUDIT SCOPE

We examined student Individual Education Programs (IEPs) and other district records concerning the assessment and evaluation of students. We reviewed the special education program for efficiency and effectiveness. We also looked at records and data to determine the accuracy of statements made to the Safety Net Committee.

The methods used to perform this audit included detailed reviews of district records, staff interviews, observation of the program and analysis of data derived from the district and other sources when appropriate. Specific methods used for the examination of each audit objective are detailed in the working papers.

SCHOOL DISTRICT DESCRIPTION

Olympia School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) to provide public school services to students in grades K-12. Five elected board members have oversight responsibility for the district. The board appoints district management and has fiscal responsibility for the district.

District officials who were key contacts during this audit include:

- Dr. Albert R. Cohen, Superintendent
- Dr. Stillman Wood, Assistant Superintendent
- Dr. Paula Akerlund, Director, Special Services
- Mr. Tom Warren, Assistant Director, Special Services
- Mr. John Nugent, Business Manager

Olympia School District is located in Thurston County and consists of twelve elementary schools, four middle schools and two high schools. The 1995-96 district enrollment was 8,550 students, of which 830 were special education students. The special education enrollment has increased to approximately 11.4 percent of the total enrollment from the 1994-95 percentage of 8.3.

AUDIT RESULTS

Objective 1:

To determine whether the Olympia School District Special Education Program effectively and efficiently provides a Free and Appropriate Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusion:

WAC 392-172-035 defines FAPE as special education and related services that are provided at public expense, meet the standards of the state education agency, include preschool, elementary school or secondary school education and conform with individualized education program requirements. The Olympia School District Special Education Program provided FAPE to its 1995-96 special education students.

The district is working to build a “unified education system.” The goal is to become a district that is responsive to and meets the needs of all children and their families. The system requires a comprehensive and coordinated approach emphasizing shared leadership and governance, shared job responsibilities among staff, a continuum of placement and program opportunities and individualized education for each child. Schools within the district have the responsibility and resources to build their own programs based on the district’s philosophy.

The district has a referral and evaluation process for students with needs that may not be met exclusively in the general education classroom. There is an established practice of assessing whether students “are in need of special education” or whether accommodations or modifications could be made in the general education setting. Teams based in the school buildings plan educational alternatives for students with academic difficulties. These alternatives are considered before making a referral to special education. The special education staff provides instruction to students from the Title I, LAP, basic education and special education programs. The salaries for special education personnel are then allocated to the respective programs.

The district offers a continuum of service options that provide each special education student with an appropriate program designed to meet individual needs. Students may be served through one or more of the program components in the continuum. Special education students participate in the general classroom setting to the maximum extent possible and all district staff is responsible for providing services to these students. The district is committed to providing early intervention to minimize future special education needs for some students. A program is available for special education children birth to age three.

District Response:

No response necessary.

Objective 2:

To evaluate the Olympia School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

Internal controls are established to direct the special education referral process and ensure continuing compliance with special education requirements. We conducted interviews with the special education administrative team, certificated staff, speech language pathologists, occupational therapists/physical therapists and school psychologists to document and assess the staff's understanding and compliance with the process. The interviews and our file review established that an internal control process is in place, appropriate personnel are assigned to oversee the process and special education staff know and attempt to follow the process.

The district is aware of and follows the eligibility criteria for counting a student on the monthly P-223H Form. This criteria states that a student's evaluation and IEP must be current on the count date. We feel the district has adequate controls to ensure an accurate count.

District Response:

No response necessary.

Objective 3:

To verify that the Olympia School District Special Education Program IEPs are appropriate and properly prepared.

Conclusion:

We reviewed 95 special education files to determine if they complied with federal and state procedural requirements and directives. The files were systematically chosen. We selected the third and fourth student files from both the beginning and end of each alphabet letter. If there were not at least four files for an alphabet letter, we selected all of the files for that letter. The 95 special education files reviewed were appropriate and properly prepared.

We did observe an emphasis on "consultation" in two IEPs reviewed. Special education administration explained that, prior to 1996-97, the district occasionally prepared this type of IEP. These IEPs were used to follow a student's progress in the regular classroom. Special education, as defined in WAC 392-1709-045, is planned and organized instruction that is designed, monitored, and evaluated by special education program personnel. If certificated special education personnel do not deliver the specially designed instruction directly, it must be designed, monitored and evaluated by certificated special education personnel pursuant to a written plan (WAC 392-172-174). Special education is not a set of accommodations that can address students' needs without specially designed instruction. Accommodations may be addressed with special education programs if specially designed instruction is evident.

The district is aware that specially designed instruction should be evident in the IEP. When specially designed instruction is no longer required, the student should be exited from special education. Consultation IEPs are no longer accepted by the district special education administration. The district has implemented a procedure for the 1996-97 school year to ensure specially designed instruction is evident. We did not test this procedure.

District Response:

No response necessary.

Objective 4:

To determine why the Olympia School District Special Education Program exhibits high rates of growth, extraordinarily high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

Olympia School District's special education enrollment increased 3.11 percent between the 1994-95 and 1995-96 school years. In 1994-95, the special education enrollment percentage was 8.33 percent of the total enrollment compared to 11.44 percent in 1995-96. The largest increase was in the specific learning disabled (SLD) category. The district's special education enrollment remains below the 12.7 percent index established by the new special education funding formula.

We determined the primary factor contributing to special education growth in the district. Olympia was one of five districts that, before 1995-96, participated in a special services demonstration project authorized by the legislature (RCW 28A.630.820). The demonstration project was intended to:

- Encourage school districts, individually and cooperatively, to develop innovative special services demonstration projects that use resources efficiently and increase student learning.
- Promote noncategorical approaches to special services program design, funding and administration.
- Develop efficient and cost-effective means for identifying students as SLD to increase the proportion of resources devoted to classroom instruction.
- Avoid unnecessary labeling of students while still providing state funding for needed services.
- Provide a means to grant waivers from state rules.

Olympia School District used the demonstration project to take the emphasis off (1) labeling SLD students, (2) minimize the costs associated with formally identifying SLD students for special education and (3) reduce the district percentage of SLD identified students below 4 percent. The project allowed districts to provide students exhibiting “SLD characteristics” specially designed instruction without the procedural requirements associated with formal evaluations and IEPs. Special education procedural requirements continued to apply to SLD students who were assessed and identified before the start of the project. The requirements also applied to students transferring into the district during the project.

Special education funding for the project was based on a flat percentage of kindergarten through twelfth grade enrollment. The formula considered 4 percent of the district enrollment in the SLD category without regard to the actual number of students identified as SLD.

When the funding formula changed in 1995-96, the district began formally identifying and assessing students served through the demonstration project. District administration felt their funding may be limited to the 1995-96 percentage if they continued to participate in the demonstration project. The evaluations for these students took place during the 1995-96 school year and account for a large portion of the 3.1 percent special education growth in the district. Some growth can also be attributed to new special education students and transfer students.

The district did not qualify for Maintenance of Effort State Revenue (MOESR) funds from the safety net in 1995-96. This was because state revenue for special education under the new formula was at least equivalent, in aggregate or per pupil, to the district’s 1994-95 state revenue. The district did submit two high cost student applications in 1995-96. The district received partial funding for one student.

We reviewed the safety net applications and the related expenditures made under the high cost award. We found both students were new to the district in 1995-96. The safety net awarded partial funding because the district had carryover funds from their 1994-95 federal grant available. The expenditures under the high cost award were appropriate.

A comparison of the district’s special education programs from 1994-95 to 1995-96 showed that the district has continued services with only minor changes to its program. In 1995-96, the district made about the same amount of basic education revenue available for special education programs as would have been allocated by the previous funding formula.

Before 1995-96, the special education formula automatically allocated part of the basic education revenue to the special education program. This allocation was based on an assumed amount of time that students spent in special education programs. The formula also assumed that the greater the amount of time spent in special education classes, the more basic education delivered in the special education program.

The new formula allows districts to allocate the basic education dollars associated with special education students. Presumably, the district can better allocate basic education revenue based on the actual service delivery patterns. The allocation could result in more or less

basic education revenue available to the special education program. However, all of the basic education revenue is at the school district to serve those students.

In reviewing program expenditures, we noted that the district accounted for all special education expenditures, including the portion related to basic education revenue, within the special education program. This may affect the district's ability to meet federal maintenance of effort requirements if special education program expenditures are limited to excess cost in the future. With the change in the funding formula, the 1995-96 maintenance of effort test performed at the state level was adjusted to compare only special education excess costs from one year to the next. The district's special education expenditures include all costs, not just the excess costs, expended in the program. We recommend the district work with the Office of Superintendent of Public Instruction to ensure the district's maintenance of effort tests are properly performed.

District Response:

As Olympia School District administrators investigated the possible effects of changes in the funding formula for special education, it became clear that it would not be possible to maintain the Demonstration Project. We were informed that receipt of state special education money required us to formally identify and label students. It was with considerable regret that we were forced to abandon the Demonstration Project in order to stabilize funding for our program. The excess cost formula does not support continuation of a Demonstration Project model.

It was noted that the District accounts for all special education expenditures, including the basic education portion, within the special education program. With regard to the point raised about federal maintenance of effort requirements, the District has discussed the issue thoroughly with Keith Lowry, ESD 113 Business Manager, and it does not appear that meeting maintenance of effort requirements will be affected.

Additional Remarks From The Auditor:

We agree that district maintenance of effort requirements will not be affected if the district continues to report total cost in its special education program.

Objective 5:

To identify elements of the Olympia School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

The Olympia School District Special Education Program is committed to meeting the needs of its students. It is evident from the staff interviews that cooperation and involvement exist between the general and special education staffs. The district also appears committed to

experimenting with other avenues that meet student needs before referring to special education.

The district has a designated staff position at each school to function as a liaison between the school and the special education administration. This position, entitled “Social Service Provider,” is usually held by the school building psychologist. Besides being a liaison, this position is responsible for school building psychologist duties and assuring that special education compliance requirements are met by building special education personnel. The position also relieves part of the special education documentation from the special education staff. We found the district’s use of this position to be a noteworthy practice.

District Response:

No response necessary.

ADDITIONAL INFORMATION

It is important to note that this audit does not replace, or otherwise duplicate, the regularly scheduled audit of the district that includes a review of financial statements and compliance with laws and regulations. Accordingly, we do not express any opinion related to those items in this report. We did consult with the financial auditors and brought items to their attention when warranted.

The audit of the Olympia School District Special Education Program was performed in accordance with generally accepted government auditing standards. As such, it included such tests of records and other audit procedures we considered necessary, including a review of management controls where appropriate.

This report is a public document. To obtain additional copies of this report, or for questions related to the audit, address inquiries to the State Auditor’s Office, P.O. Box 40021, Olympia, WA 98504-0021 or call (360) 753-4792.

Olympia School District No. 111 Special Education Program Audit Addendum

Directory Of Officials

Elected

		<u>Term</u>	<u>Expiration</u>
Board of Directors:			
Position 1	Edith Harding	4	December 1999
Position 2	John Keefe (President 1996)	4	December 1999
Position 3	John McGee	4	December 1997
Position 4	Mary Farrington (President 1995)	4	December 1999
Position 5	Barbara Roder (President 1994)	4	December 1997

Appointed

Superintendent	Dr. Albert R. Cohen
Assistant Superintendent Elementary Education	Dr. Stillman Wood
Assistant Superintendent Secondary Education	Dr. Pat Gill
Assistant Superintendent Human and Financial Services	John Nugent
Attorney	Perkins, Coie, Stone, Olsen and Williams

Mailing Address

District	1113 East Legion Way Olympia WA 98501
Attorney	PO Box C34142 Seattle WA 98124